

File Number M/043/019
Effective Date July 7, 2004
Other Agency File Number n/a

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION of OIL, GAS and MINING
1594 West North Temple Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
(801) 538-5291
Fax: (801) 359-3940

RECLAMATION CONTRACT
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For the purpose of this RECLAMATION CONTRACT the terms below are defined as follows:

"NOTICE OF INTENTION" (NOI): (File No.)
(Mineral Mined)

M 043 019
Sandstone

"MINE LOCATION":
(Name of Mine)
(Description)

Browns Canyon Mine
Approx. 2 miles west of Panguitch, UT
Summit County, UT

"DISTURBED AREA":
(Disturbed Acres)
(Legal Description)

26 Acres
(refer to Attachment "A")

"OPERATOR":
(Company or Name)
(Address)

Mountain Valley Stone, Inc
2216 S. Daniels Rd.
Heber City, UT 84032

(Phone)

435-654-0120

RECEIVED

JUN 29 2004

0006

DIV. OF OIL, GAS & MINING

"OPERATOR'S REGISTERED AGENT":

(Name)

(Address)

(Phone)

STEVE BENNETT - ATTORNEY
3065 S WASHINGTON BLVD #300
SALT LAKE CITY, UT 84109
(801) 272-5600 *

"OPERATOR'S OFFICER(S)":

Robert Hicken, President
Paul Ballif, Vice President

"SURETY":

(Form of Surety - Attachment B)

Letter of Credit

"SURETY COMPANY":

(Name, Policy or Acct. No.)

US Bank (SLCSSEA01758)

"SURETY AMOUNT":

(Escalated Dollars)

\$ 79,000 USD

"ESCALATION YEAR":

2007

"STATE":

"DIVISION":

State of Utah

Division of Oil, Gas and Mining

"BOARD":

Board of Oil, Gas and Mining

ATTACHMENTS:

A "DISTURBED AREA":

B "SURETY":

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between Mountain Valley Stone, Inc the "Operator" and the Utah State Division of Oil, Gas and Mining ("Division").

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. M 043 019 which has been approved by the Utah State Division of Oil, Gas and Mining under the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules; and

WHEREAS, Operator is obligated to reclaim that area described as the Disturbed Area as set forth and in accordance with Operator's approved Reclamation Plan, and Operator is obligated to provide surety in form and amount approved by the Division, to assure reclamation of the Disturbed Area.

NOW, THEREFORE, the Division and the Operator agree as follows:

1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations, the original Notice of Intention dated January 22, 2001, and the original Reclamation Plan dated January 22, 2001. The Notice of Intention as amended, and the Reclamation Plan, as amended, are incorporated by this reference and made a part hereof.
2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Division. Such surety as evidenced by the Surety Contract is in the form of the surety attached hereto as Attachment B and made a part hereof. The Surety Contract shall remain in full force and effect according to its terms unless modified by the Division in writing. If the Surety Contract expressly provides for cancellation, then, within 60 days following the Division's receipt of notice that the Surety Company intends to cancel the Surety Contract, the Operator shall provide a replacement Surety Contract in a form and amount reasonably acceptable to the Division. If the Operator fails to provide an acceptable replacement Surety Contract, the Division may order the Operator to cease further mining activities and to begin immediate reclamation of the Disturbed Area.
3. Operator agrees to pay legally determined public liability and property damage claims resulting from mining to the extent provided in Section 40-8-7(1)(e) of the Act.
4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
5. The Operator's liability under this Contract shall continue in full force and effect until the Division certifies that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
6. If reclamation of discrete sections of the Disturbed Area is completed to the satisfaction of the Division, and the Division finds that such sections are severable from the remainder of the Disturbed Area, Operator may request the Division to certify that Operator has reclaimed such discrete sections of the Disturbed Area in accordance with the Act and Implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended. If the Division makes such certification, Operator may make request to the Division that the aggregate face amount of the Surety Contract provided pursuant to paragraph 2 be reduced to an amount necessary to provide for completion of the remaining reclamation. The Division shall hear Operator's

request for such reduction in accordance with the Board's Procedural Rules concerning requests for Agency Action.

7. Operator agrees to indemnify and hold harmless the State, Board and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
8. Operator may, at any time, submit a request to the Division to substitute surety. The Division may approve such substitution if the substitute surety meets the requirements of the Act and the implementing rules.
9. This Contract shall be governed and construed in accordance with the laws of the State of Utah.
10. If Operator shall default in the performance of its obligations hereunder, Operator agrees to pay all costs and expenses, including reasonable attorney's fees and costs incurred by the Division and/or the Board in the enforcement of this Contract.
11. Any breach that the Division finds to be material of the provisions of this Contract by Operator may, at the discretion of the Division, result in an order to cease mining operations. After opportunity for notice and hearing, the Board of Oil, Gas and Mining may enter an order to revoke the Notice of Intention, order reclamation, or order forfeiture of the Surety Contract, or take such other action as is authorized by law.
12. In the event of forfeiture of the Surety Contract, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this Contract. Any excess monies resulting from forfeiture of the Surety Contract, upon completion of reclamation and compliance with this Contract, shall be returned to the rightful claimant.
13. This Contract including the Notice of Intention, as amended and the Reclamation Plan, as amended, represents the entire agreement of the parties involved, and any modification must be approved in writing by the parties involved.
14. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.

OPERATOR:

Mountain Valley Stone, Inc.

Operator Name

By Robert John Hicken

Authorized Officer (Typed or Printed)

President

Authorized Officer - Position

Robert John Hicken

Officer's Signature

6-28-04

Date

STATE OF Utah)

COUNTY OF Wasatch) ss:

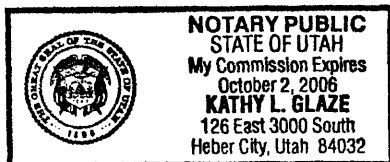
On the 28 day of June, 2004, Robert John Hicken personally appeared before me, who being by me duly sworn did say that he/she is the President of Mountain Valley Stone, Inc. and duly acknowledged that said instrument was signed on behalf of said company by authority of its bylaws or a resolution of its board of directors and said Robert John Hicken duly acknowledged to me that said company executed the same.

Kathy L. Glaze

Notary Public

Residing at 126 East 3000 South Heber City, Utah

10/2/06
My Commission Expires:

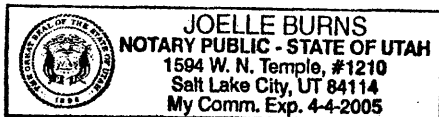


DIVISION OF OIL, GAS AND MINING:

By Lowell P Braxton Date 7/7/04
Lowell P. Braxton, Director

STATE OF Utah)
COUNTY OF Salt Lake) ss:

On the 7th day of July, 2004, Lowell P Braxton
personally appeared before me, who being duly sworn did say that he/she, the said Lowell P Braxton is the Director of the Division of Oil, Gas and Mining, Department of Natural Resources, State of Utah, and he/she duly acknowledged to me that he/she executed the foregoing document by authority of law on behalf of the State of Utah.



Joelle Burns
Notary Public
Residing at: S L C Utah

April 4, 2005
My Commission Expires:

ATTACHMENT "A"

Mountain Valley Stone, Inc
Operator

Browns Canyon Mine
Mine Name

M 043019
Permit Number

Summit County, Utah

LEGAL DESCRIPTION

Include 1/4, 1/4, 1/4 sections, townships, ranges and any other descriptions that will legally determine where disturbed lands are located. Attach a topographic map of suitable scale (max. 1 inch = 500 feet; 1 inch = 200 feet or larger scale is preferred) showing township, range and sections and a clear outline of the disturbed area boundaries tied to this Reclamation Contract and surety.

The detailed legal description of lands to be disturbed includes portions of the following lands not to exceed 26 acres under the approved permit and surety, as reflected on the attached map labeled MOUNTAIN VALLEY STONE GENERAL and dated 9.06.02: LOCATION MAP (RPS)

W 1/2 NE 1/4 SW 1/4 and E 1/2 NW 1/4 SW 1/4 and
NW 1/4 SE 1/4 SW 1/4 and NE 1/4 SW 1/4 SW 1/4
Section 20, Township 1 South, Range 5 East
Summit County, UTAH

U.S. BANK NATIONAL ASSOCIATION
INTERNATIONAL DEPARTMENT
1420 FIFTH AVENUE, 9TH FLOOR
SEATTLE, WA 98101 U.S.A.
PHONE: 206-344-2398
FAX: 206-344-5365

Letter of Credit No. SLCSEA01758

Date: June 23, 2004

UTAH DIVISION OF OIL, GAS AND MINING
1594 West North Temple Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801

RECEIVED

JUN 24 2004

DIV OF OIL, GAS & MINING

Gentlemen and Ladies:

1. US BANK, NATIONAL ASSOCIATION ("Surety"), of SEATTLE, WASHINGTON, hereby establishes this irrevocable letter of credit (the "Letter of Credit") in favor of the Utah Division of Oil, Gas and Mining ("Division") for an aggregate amount not to exceed \$79,000.00 in United States dollars ("Seventy nine thousand and 00/00 dollars") effective immediately.

2. This Letter of Credit will expire upon the first event set forth as follows: (a) 5:00 o'clock p.m. (Salt Lake City time) on July 26, 2005 or (b) the date upon which sufficient documents are executed by the Division to release MOUNTAIN VALLEY STONE, INC. ("Operator") from further liability for reclamation of the Brown's Canyon Mine, permit # M-043-019 with notice to Bank or Surety by the Division accompanied by the original Letter of Credit with directions for cancellation.

3. This Letter of Credit will be automatically extended for successive periods of one year from the current or any future expiration date unless the Surety gives notice to the Division 90 days prior to the expiration date that the Surety elects not to renew the Letter of Credit.

4. Funds under the Letter of Credit are available against the Division's sight draft, in the form of Exhibit A, specifying Letter of Credit No. _____ delivered to the office of the Surety, US BANK NATIONAL ASSOCIATION, International Department, 1420 5TH Avenue, 9th Floor, Seattle, WA, 98101. At the Division's sole election, the Division may present sight drafts for less than the Face Amount so long as the aggregate amount of all sight drafts does not exceed the Face Amount. Each draft must be accompanied by a certificate in the form of Exhibit B, signed by a duly authorized representative of the Division.

5. If the Surety receives the Division's sight draft(s) and certificate(s) as provided in Paragraph No. 4 above on or before the expiration or termination of this Letter of Credit, the Surety will make such amount as the Division may specify, within the limits of the second sentence of Paragraph No. 4 of this Letter of Credit, available to the Division no later than the close of business, Salt Lake City time, on the second business day following the Surety's receipt of the sight draft and certificate and in such a manner as the Division may specify.

6. The Surety will give prompt notice to the Operator and to the Division Director of any notice received or action filed alleging the insolvency or bankruptcy of the Surety, or alleging any violations of regulatory requirements which could result in suspension or revocation of the Surety's charter or license to do business.

7. The Letter of Credit will be governed by the laws of the State of Utah and shall be subject to the Uniform Customs and Practice for Documentary Credit, 1993 revision, International Chamber of Commerce Publication No. 500, as the same may be amended and in effect from time to time ("UCP"). In the event of a conflict between Utah law and the UCP, Utah law shall govern.

8. All communications regarding this Letter of Credit will be addressed to the Surety US BANK NATIONAL ASSOCIATION, International Department, 1420 5TH Avenue, 9th floor, Seattle, WA, 98101, referencing Letter of Credit No. 6

Very truly yours,

US BANK , NATIONAL ASSOCIATION
The Surety/or Bank

By: JANET JOIREMAN

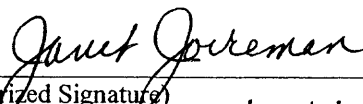

(Authorized Signature) Janet Joireman
Title: Letter of Credit Officer

EXHIBIT A - SIGHT DRAFT
to
Letter of Credit Number # _____

Date City, County Letter of Credit No.

PAY TO THE ORDER OF: Utah Division of Oil, Gas and Mining,

DOLLARS

TO: US BANK NATIONAL ASSOCIATION
INTERNATIONAL DEPARTMENT
1420 5TH AVENUE, 9TH FLOOR
SEATTLE, WA 98101

Utah Division of Oil, Gas and Mining
1594 West North Temple Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801

Authorized Signature

EXHIBIT B

to
Letter of Credit Number SLCSEA01758

I, _____ a duly authorized representative of the Utah Division of Oil, Gas and Mining, hereby certify that (1) the drawing in the amount of \$ _____, by sight draft accompanying this certificate, under Letter of Credit No. _____ dated June 23, 2004 issued by you is permitted under the provision of the Letter of Credit, (2) the Letter of Credit has neither expired nor terminated pursuant to its terms, (3) the amount of the sight draft, together with any amounts previously drawn under the Letter of Credit, does not exceed the Face Amount, and (4) the Utah Board of Oil, Gas and Mining, after notice and hearing, has entered an Order which has not been stayed, ordering forfeiture of Letter of Credit No. _____ in accordance with applicable law. Proceeds of this drawing will be utilized in full to pay the expenses relating to the reclamation liability, together with the costs of collection, including attorneys fees, for the Brown's Canyon Mine, M-043-019 .

The Utah Division of Oil, Gas and Mining

By: _____

Authorized Signature

Date _____



Application and Agreement for Standby Letter of Credit

Standby Letters of Credit, PD-WA-T9IN
1420 5TH Ave., 9th Floor
Seattle, Wa 98101
(206) 344-2398/5355

Bank Use Only

LC No. _____

Date Rec'd _____

The undersigned ("Applicant", whether one or more) hereby requests you to establish an irrevocable Letter of Credit (hereinafter referred to as the "Credit") as set forth below in such language as you may deem appropriate, with such variations from such terms as you may in your discretion determine necessary and are not materially inconsistent with this Application, and forward the same by: ☐ SWIFT/Telex; ☐ Courier; through your correspondent or directly to beneficiary.

☐ Fax copy to:

Attention:

In Favor of (Beneficiary)

Utah Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801

For Account Of (Applicant)

Mountain Valley Stone, Inc.
2276 South Daniels Road
Heber City, Utah 84032

Advising Bank:

Amount

\$79,000.00

Partial Drawings Allowed X Not Allowed _____

Expiration Date July 26, 2005

To be available by drafts at sight drawn on you or, at your option, by a written or authenticated SWIFT/telex demand for payment.

X PLEASE ISSUE THE CREDIT IN THE FORM OF THE ATTACHED DOCUMENT LABELED "EXHIBIT A" AND SIGNED BY APPLICANT.

Document(s), if any, required to accompany drawing(s):

See attached form from the Utah Division of Oil, Gas and Mining

Additional Conditions:

Banking Charges for account of the Applicant X Beneficiary

In consideration of your issuance of the Credit, the undersigned Applicant(s), jointly and/or severally agree(s) to the terms and conditions set forth above and in the most recent Continuing Reimbursement Agreement for Standby Letters of Credit executed by Applicant.

Account Number: _____	Letter of Credit Number: _____	Telephone Number (435)654-0120	Applicant Name Robert Hicken	
Street Address 2276 S Daniels Rd		City Heber City	State UT	Zip 84032
Authorized Signature 			Title Owner	

FOR ADMINISTRATIVE USE ONLY: Applicant's signature is verified and authority to sign is confirmed. The extension of credit is approved in accordance with the Bank's current requirements.

Correspondent Bank:		Address:		
Authorized Signature		Phone No.		
Account Officer's Name (Please Print)		Officer Number	Account Officer's Signature	
Obligor Number	Cost Center	Mail Code	Telephone Number	Fee Rate Manual _____ Other _____